

UNANNOUNCED AUDIT OF PETTY CASH AND CHANGE FUNDS

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EXECUTIVE SUMMARY

As part of the Annual Audit Plan, the Clerk of Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* conducted an unannounced continuous audit of Petty Cash and Change Funds. Continuous Audits have narrowly defined scopes, are conducted on a recurring basis to identify risks and test controls, and result in timely notification of gaps and weaknesses.

The audit found that Accounting Policies and Procedures are not consistently being followed throughout the County in regards to:

- Limiting change fund access,
- Reconciling funds,
- Procedures for copier and printing machine, and
- Ensuring that the Certificate and Receipt of Imprest Funds form is valid.

Non-compliance with Accounting Policies and Procedures results in a higher risk of misappropriation of cash and cash equivalents as well as inadequate records of who is accountable for transactions.

Additionally, this audit and the previous audit, dated July 2018, determined that the County has maintained compliance with the annual cash management training for custodians and supervisors.



BACKGROUND AND OBJECTIVES

The Clerk of the Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* has completed an unannounced audit of the County's petty cash and change fund. The audit was planned and conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The purpose of the audit was to review internal controls, evaluate compliance with applicable policies and procedures, and reconcile petty cash and change funds.

Background

Internal Audit completed an unannounced audit of the County's petty cash and change funds in July 2018, identifying five opportunities for improvement. In that audit, a sample of 24 of the 48 petty cash and change funds totaling \$13,023 in existence at that time was tested for compliance with the Accounting Policies and Procedures, Chapter 17.2 *Petty Cash* and Chapter 9.5 *Change Funds*. Chapter 17.2 *Petty Cash* provides the policy for establishing and making purchases from a petty cash fund. The document indicates that petty cash funds are established for the purpose of handling cash expenditures of a minor nature and are limited to purchases of \$100 or less. Chapter 9.5 *Change Funds* indicates that change funds are established for the purpose of making change where money is collected during transactions of County business.

Unannounced cash counts and cash control evaluations are continuous audits performed by the Internal Audit Department. Accordingly, an unannounced cash count was completed in February 2019, which included 25 of the 49 petty cash and change funds totaling \$12,573 as of September 30, 2018, located within various departments throughout the County.

Objectives, Scope and Methodology

In order to assist the County in meeting its stewardship responsibilities for the public assets and resources placed in its trust, an unannounced audit was performed of its petty cash and change funds.

The objectives of this audit were to determine if (1) internal controls over petty cash and change funds are operating effectively, (2) departments are in compliance with the Accounting Policies and Procedures, and (3) reconciled balance of funds agree to the amount recorded on the Certificate and Receipt of Imprest Funds.

To meet the objectives of the audit, the procedures performed included, but were not limited to, the following:

- Obtained an understanding of the Accounting Policies and Procedures as they relate to petty cash and change funds.
- Performed inquiries of County personnel.
- Evaluated internal controls related to segregation of duties and safeguarding the County's assets, specifically for petty cash and change funds.
- Reconciled a random sample of 25 out of 49 imprest funds, including one petty cash fund and 24 change funds, and compared the balance to the amount recorded on the Certificate and Receipt of Imprest Funds.
- Reviewed Cash Management training records maintained by Human Resources.
- Validated that the electronic document retention system (OnBase) is utilized to archive the approved Certificate and Receipt of Imprest Funds forms.
- Identified Opportunities for Improvement.



OPPORTUNITIES FOR IMPROVEMENT AND MANAGEMENT RESPONSES

The audit disclosed certain policies, procedures, and/or practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. As a result of the audit, observations and recommendations identified below are related to *Standards*:

- (Standard 2110) Communicating risk and control information to appropriate areas of the organization, and
- (Standard 2130.A1) The effectiveness of controls related to operations and programs, and compliance with policies and procedures.

The **Opportunities for Improvement** presented in this report may not be all-inclusive of areas where improvement may be needed. There were four *Opportunities for Improvement* identified as a result of the audit:

- 1. Segregation of Duties Requirement**
- 2. Reconciliation Identifies Variances**
- 3. Procedures for Copier and Printing Machines**
- 4. Certificate and Receipt of Imprest Fund**

1. Segregation of Duties Requirement

Observation

Accounting Policies and Procedures, Chapter 9.5 Change Funds and Chapter 17.2 Petty Cash state that “only the person designated the custodian is permitted access to the change fund, unless the use of compensating controls are authorized by the Finance Department of the Clerk of Circuit Court and County Comptroller.” A sample of 25 change and petty cash funds were selected and an unannounced cash count was performed for each one. During the counts, it was noted that 10 funds (40% of the sample tested) were accessible to individuals other than the designated custodian (See Appendix A: Segregation of Duties).

Management advised during the prior audit that to account for the department-level operational restrictions in various areas, compensating control procedures had been developed and submitted to the Finance Department for approval.

Recommendation

To ensure a proper segregation of duties, mandate compliance with the Accounting Policies and Procedures, Chapter 9.2 *Business Center Receipt, Balance, and Deposit of Cash* and Chapter 9.6 *Cash Over and Short*.

Management Response

Management accepts the level of risk associated with these findings, which we have assessed as minimal. The current accounting policies and procedures are too restrictive for operational design of certain departments to adhere to. Where these operational challenges in meeting policy requirements exist, we are working with the impacted departments to establish approved procedures which will be signed off on by the County Administrator and act as compensating controls.

2. Reconciliation Identifies Variances

Observation

During the unannounced cash count, each petty cash and change fund in the sample was reconciled to the amount recorded on the Certificate and Receipt of Imprest Funds. The auditor found that five of the 25 funds, or 20%, did not reconcile to the certificate. Of the five that did not reconcile, three were over by amounts of \$5.55, \$5.30, and \$1.40, and the other two were under by less than \$1.00. All of the funds in the sample associated with the Libraries and Historical Resources department failed to reconcile to the certificate (See Appendix B: Petty Cash and Change Fund Reconciliations).

Recommendation

To ensure that all custodians report cash overages or shortages as they occur in accordance with the Accounting Policies and Procedures, Chapter 9.2 *Business Center Receipt, Balance, and Deposit of Cash* and Chapter 9.6 *Cash Over and Short*.

Management Response

We are in agreement with the recommendation. Results of findings have been communicated to the Library System management team and staff. In order to ensure departmental compliance, we will continue to communicate the policy requirement to report cash overages or shortages as they occur.

3. Procedures for Copier and Printing Machines

Observation

Libraries and Historical Resources policies and procedures require that each fund be split into shifts, that a specific amount of change be stored in the copier and printing machine, and that the remaining balance be stored in the safe to make change for the shifts, as needed. The auditor determined that each change fund is not being counted daily at each location. Funds stored in the copier and printing machines are not completely emptied and counted daily. Instead, on a daily basis staff restores the balance in the copier and printing machine to the required balance and relies on system generated reports that state how much money should still be in the machine.

Additionally, the portion of the change fund that is stored in the safe to make change for the shifts, is typically only counted on a monthly basis. Without a full count of the change fund each day, there would be no way to guarantee that the entire change fund is being accounted for.

Recommendation

To ensure that all cash overages and shortages are identified as they occur, the entire change fund should be counted and reconciled on a daily basis. This includes all funds stored in the copier and printing machines and all funds stored in the safes.

Management Response

Follow up discussions have occurred with the management teams and staff regarding change funds stored in safes. We will continue to communicate the requirement to count all change funds stored in the safes on a daily basis in order to achieve and maintain ongoing compliance with policies and procedures.

Follow up discussions have occurred with the Library System management team regarding change funds stored in the copiers. Management accepts the level of risk associated with these findings, which we have assessed as minimal. To account for the operational challenges associated with the installation of the new copier and printing machines, we are working with Libraries to establish approved department level procedures which will be signed off on by the County Administrator and act as compensating controls.

4. Certificate and Receipt of Imprest Fund

Observation

Accounting Policies and Procedures, Chapter 9.5 *Change Funds* and Chapter 17.2 *Petty Cash* states:

- “Once established, the Certificate and Receipt of Imprest Funds form will remain valid until one of the following takes places: ... custodian changes.”
- “Submit a new form if the amount, purpose, location, or custodian of the fund changes”, and

Accounting Policies and Procedures, Chapter 9.5 *Change Fund* states:

- “Submit the completed Sarasota County Certificate and Receipt of Imprest Funds form to the Director of Finance or the Accounts Payable Manager, to establish and authorize the amount of the change fund. The form must be submitted by the Executive Director and must designate who will be the custodian of the fund.”

During review of the Certificate and Receipt of Imprest Funds form for the 25 sampled funds, the following instances of non-compliance was observed:

- Three Certificate and Receipt of Imprest Fund forms indicated that the custodian took receipt of the funds prior to approval by the department director’s signature.

Recommendation

To ensure approval of fund custodians by the Departmental Director or Manager occurs prior to transfer of the funds, mandate compliance with the Accounting Policies and Procedures, Chapters 9.5 and 17.2.

Management Response

A follow up communication has been sent to management teams and related updates to the online cash management training will be implemented by June 1, 2019. We will continue to communicate the Certificate authorization requirements in order to achieve and maintain ongoing compliance with policies and procedures.



APPENDIX A: SEGREGATION OF DUTIES

The table below provides the department and location of the 25 petty cash and change funds sampled and counted. The 10 petty cash and change funds that were accessible by one or more persons other than the designated custodian are highlighted in blue. See page 6, Opportunity for Improvement No. 1, for the detailed observation.

Department	Location
Communications	1660 Ringling Blvd, Sarasota
Health and Human Services	2200 Ringling Blvd, Sarasota
Libraries and Historical Resources	7112 Curtiss Ave, Sarasota
Libraries and Historical Resources	13800 Tamiami Trail, North Port
Libraries and Historical Resources	260 N. Nokomis Ave, Venice
Libraries and Historical Resources	100 Coburn Rd, Sarasota
Libraries and Historical Resources	1331 First St, Sarasota
Office of Financial Management	1001 Sarasota Center Blvd, Sarasota
Office of Financial Management	1001 Sarasota Center Blvd, Sarasota
Parks, Recreation and Natural Resources	509 Collins Rd, Nokomis
Parks, Recreation and Natural Resources	6700 Clark Rd, Sarasota
Parks, Recreation and Natural Resources	6700 Clark Rd, Sarasota
Parks, Recreation and Natural Resources	3445 Rustic Rd, Nokomis
Parks, Recreation and Natural Resources	326 Nokomis Ave S, Venice
Parks, Recreation and Natural Resources	6050 Longwood Run Blvd, Sarasota
Parks, Recreation and Natural Resources	6700 Clark Rd, Sarasota
Parks, Recreation and Natural Resources	3445 Rustic Rd, Nokomis
Parks, Recreation and Natural Resources	3445 Rustic Rd, Nokomis
Planning and Development Services	1001 Sarasota Center Blvd, Sarasota
Planning and Development Services	1001 Sarasota Center Blvd, Sarasota
Planning and Development Services	1001 Sarasota Center Blvd, Sarasota
Planning and Development Services	1001 Sarasota Center Blvd, Sarasota
Planning and Development Services	4000 S Tamiami Trl, Venice
Public Utilities	4000 Knights Trail Rd, Nokomis
SCAT	150 N. Lemon Ave, Sarasota

APPENDIX B: PETTY CASH AND CHANGE FUND RECONCILIATIONS

The table below provides the department and location of the 25 petty cash and change funds sampled and counted. The five change funds with variances are highlighted in blue. See page 7, Opportunity for Improvement No. 2, for the detailed observation.

Department	Location	Over/Under
Communications	1660 Ringling Blvd, Sarasota	Balanced
Health and Human Services	2200 Ringling Blvd, Sarasota	Balanced
Libraries and Historical Resources	7112 Curtiss Ave, Sarasota	\$1.40 Over
Libraries and Historical Resources	13800 Tamiami Trail, North Port	\$5.30 Over
Libraries and Historical Resources	260 N. Nokomis Ave, Venice	\$5.55 Over
Libraries and Historical Resources	100 Coburn Rd, Sarasota	\$.55 Under
Libraries and Historical Resources	1331 First St, Sarasota	\$.75 Under
Office of Financial Management	1001 Sarasota Center Blvd, Sarasota	Balanced
Office of Financial Management	1001 Sarasota Center Blvd, Sarasota	Balanced
Parks, Recreation and Natural Resources	509 Collins Rd, Nokomis	Balanced
Parks, Recreation and Natural Resources	6700 Clark Rd, Sarasota	Balanced
Parks, Recreation and Natural Resources	6700 Clark Rd, Sarasota	Balanced
Parks, Recreation and Natural Resources	3445 Rustic Rd, Nokomis	Balanced
Parks, Recreation and Natural Resources	326 Nokomis Ave S, Venice	Balanced
Parks, Recreation and Natural Resources	6050 Longwood Run Blvd, Sarasota	Balanced
Parks, Recreation and Natural Resources	6700 Clark Rd, Sarasota	Balanced
Parks, Recreation and Natural Resources	3445 Rustic Rd, Nokomis	Balanced
Parks, Recreation and Natural Resources	3445 Rustic Rd, Nokomis	Balanced
Planning and Development Services	1001 Sarasota Center Blvd, Sarasota	Balanced
Planning and Development Services	1001 Sarasota Center Blvd, Sarasota	Balanced
Planning and Development Services	1001 Sarasota Center Blvd, Sarasota	Balanced
Planning and Development Services	1001 Sarasota Center Blvd, Sarasota	Balanced
Planning and Development Services	4000 S Tamiami Trl, Venice	Balanced
Public Utilities	4000 Knights Trail Rd, Nokomis	Balanced
SCAT	150 N. Lemon Ave, Sarasota	Balanced

